THE RESOURCE AUTHORITY IN SUMNER COUNTY, TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the years ended June 30, 2008 and 2007

THE RESOURCE AUTHORITY IN SUMNER COUNTY, TENNESSEE

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Independent Auditor's Report

The Resource Authority in
Sumner County, Tennessee
Gallatin, Tennessee

We have audited the accompanying basic financial statements of The Resource Authority in Sumner County, Tennessee as of June 30, 2008 and 2007, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of The Resource Authority in Sumner County, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Resource Authority in Sumner County, Tennessee as of June 30, 2008 and 2007 and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note H to the financial statements, uncertainties exist regarding the future operations of the Authority. The ultimate outcome of these uncertainties cannot be presently determined and accordingly, no provision for any liability if any that may result has been made in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2008 on our consideration of The Resource Authority's internal control over financial reporting, and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages ii through ix is not a required part of the financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The financial information listed in the Financial Schedules section of the Table of Contents on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the financial statements of The Resource Authority in Sumner County, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Yeary, Howell & Associates

October 14, 2008

Management's Discussion and Analysis

Our discussion and analysis of the Resource Authority's financial performance provide an overview of the Authority's financial activities for the fiscal year ended June 30, 2008.

HIGHLIGHTS

Financial highlights

1 The Resource Authority's net assets decreased to $1,605,151 a decrease of $404,497 or 20%, as a result of this year's operations.
2 Revenues decreased to $3,216,955, or 11% in 2008 while expenses decreased to $3,722,802 or 3.5%.
3 The Resource Authority's net cash from operating activities decreased by $274,130 to ($360,746), a decrease of nearly 32% from last year.

Resource Authority highlights

1 The Resource Authority had tipping fees of $3,085,819 or 96% of total revenues for 2008.
2 The recycling plant is still being used to accommodate a transfer station operation.
3 Contracted recycling activities are still ongoing with discussions of increasing the recycling over time.
4 Final closure work on the C/D Landfill was completed during FY08.

USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplemental Schedules. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Required financial statements

The Financial Statements of the Resource Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE RESOURCE AUTHORITY AS A WHOLE

One of the most important questions asked about the Resource Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed environmental regulations as well as the significant change in operation as a result of the plant operations ceasing and transfer station operations beginning.

The Authority's total net assets decreased by $404,497 last year. Our analysis below focuses on the Authority's net assets (Table 1) and changes in net assets (Table 2) during the year. For comparability purposes, reclassifications have been made to the June 30, 2007 information to conform with June 30, 2008 presentation.

Table 1

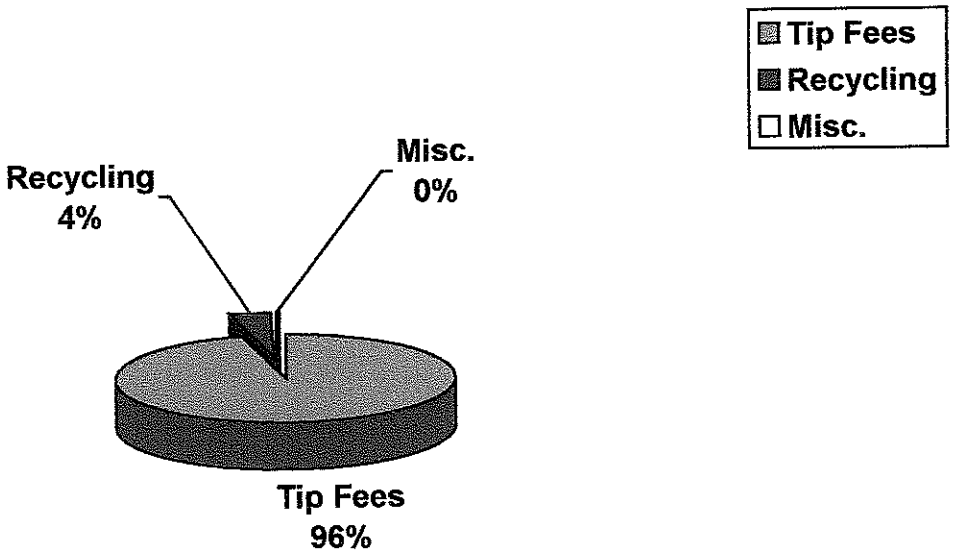
	2008	2007
Capital Assets	2,766,377	2,702,945
Current and other assets	873,751	1,484,013
Total Assets	3,640,128	4,186,958
Long-term debt outstanding	1,750,834	1,709,830
Other liabilities	284,143	467,480
Total liabilities	2,034,977	2,177,310
Net assets: Investment in Capital	2,766,377	2,702,945
Unrestricted (Deficit)	(1,161,226)	(693,297)
	1,605,151	2,009,648

Changes in the Authority's net assets can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Assets for the year.

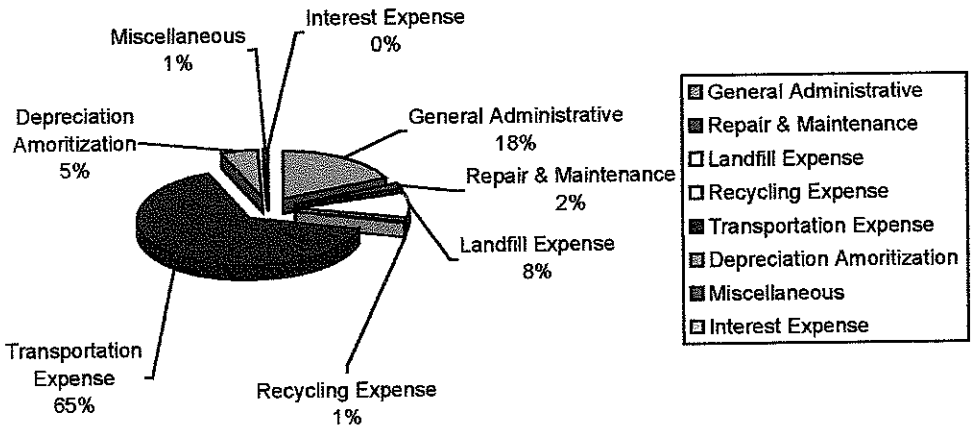
Table 2

	2008	2007
Net operating revenues	3,216,955	3,609,304
Interest Income	27,803	7,179
Operating Subsidies & Other Income	48,565	50,000
Total Revenue	3,293,323	3,666,483
Operating Expenses	3,722,802	3,863,028
Interest Expenses	0	0
Other Expenses	0	0
Total Expenses	3,722,802	3,863,028
Excess of Revenues over Expenses	(429,479)	(196,545)
Special Item - asset impairment	24,982	115,452
Discontinued Operations	0	0
Capital Grants	0	0
Change in Net Assets	(404,497)	(81,093)
Net Assets at Beginning of Year	2,009,648	2,090,741
Net Assets at End of Year	1,605,151	2,009,648

2008 Revenues by Source



2008 Expenses by Source



Total operating revenues reflect a 11% decrease in 2008 compared to 2007 due to an decrease in tipping fees in 2008. There were no landfill revenues for 2008 due to the closure of the C/D Landfill. Recycling revenues were higher by $47,725 due to higher volumes and price increases for materials sold.

THE RESOURCE AUTHORITY'S FUNDS

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measure of financial activity focuses on net income statement similar to the private sector.

The Resource Authority in Sumner County, Tennessee is a public and governmental body acting as an instrumentality and agency of Sumner County and the Cities of Gallatin and Hendersonville, organized in 1979 under Chapter No. 157 of the Tennessee Private Acts of 1979, as amended.

The Authority operated a solid waste disposal and resource recovery facility, located in Gallatin, Sumner County, Tennessee, which incinerated and disposed of solid waste primarily from the County and the Cities, produced steam for distribution to industrial customers and generated electricity for internal plant consumption. Effective May 5, 2005 the Resource Authority in Sumner County ceased operation of this facility due to a decision not to retrofit the plant to meet compliance with new USEPA air emissions guidelines. This resulted in the discontinuance of steam production and sales. The waste that was disposed of in this facility is now handled through a transfer station onsite and transported to an out of county landfill through contract. The Authority also operated a construction / demolition debris landfill for part of fiscal year 2006. This facility was shut down in January 2006 and final closure commenced during fiscal year 2007. Final closure was completed during fiscal year 2008. The Authority began operations of a recycling facility during fiscal year 1992, which ran until the beginning of fiscal year 2006 at which time those operations ceased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the Resource Authority had $2,766,377 net of accumulated depreciation invested in a broad range of capital assets, including its recycling plant and landfills, as well as other mobile and transportation equipment. This amount represents a net increase (including additions and deductions) of $63,432 over last year. These changes are presented in detail Note B to the financial statements. The most significant element of the change relates to the depreciation and amortization of $194,308 and equipment purchases at $5,782.

The following table summarizes the Resource Authority's capital assets, net of accumulated depreciation, for the Years ended June 30, 2008 and 2007.

Table 3

	6/30/2008	6/30/2007
Land	282,491	282,491
Disposal plant	320,436	68,480
Landfill construction	0	0
Equipment	766,666	780,584
Recycling plant	4,711,206	4,711,206
	6,080,799	5,842,761
Less accumulated depreciation	3,314,422	3,139,816
ro Net property, plant & equipment	2,766,377	2,702,945
Net landfill costs	0	0

The Resource Authority's 2009 capital budget currently has no plans for any capital projects.

Debt
At year-end, the Resource Authority had no bonds and notes outstanding.

The Resource Authority's revenue bond rating is AAA from Moody's and AAA from Standard & Poors rating services. These ratings are the highest possible ratings. Other obligations include accrued closure and post closure landfill costs of $1,750,834, which is explained in Note C to the financial statement. More detailed information about the Resource Authority's long-term debt is presented in Note D to the financial statements.

ECONOMIC FACTORS AND PROJECTIONS

The Resource Authority's projected revenues for 2009 are $3,285,000, while projected expenses are $3,566,100, resulting in a projected operating subsidy of $281,100. The amounts reflect the significant reductions in revenues due to the change in operations. Decisions are still pending about the future operations of the Authority.

CONTACTING THE RESOURCE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Resource Authority's finances and to demonstrate the Resource Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Resource Authority's General Manager at 625 Rappahannock Wire Road, Gallatin, Tennessee 37066.

THE RESOURCE AUTHORITY IN SUMNER COUNTY, TENNESSEE

STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

		2008	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$	691,906	1,209,042
Accounts receivable, less allowance for doubtful accounts of -0- for 2008 and $77,364 for 2007		153,466	209,773
Grant receivable		8,379	61
Inventory		20,000	52,637
Prepaid insurance		-	12,500
TOTAL CURRENT ASSETS		873,751	1,484,013
NONCURRENT ASSETS			
Non-depreciable capital assets		282,491	282,491
Depreciable capital assets less accumulated depreciation of $3,314,422 for 2008 and $3,139,814 for 2007		2,483,886	2,420,454
TOTAL NONCURRENT ASSETS		2,766,377	2,702,945
TOTAL ASSETS	$	3,640,128	4,186,958
LIABILITIES			
CURRENT LIABILITIES			
Trade accounts payable	$	224,268	403,053
Other accrued expenses		59,875	64,427
TOTAL CURRENT LIABILITIES		284,143	467,480
NONCURRENT LIABILITIES			
Accrued closure and post closure costs		1,750,834	1,709,830
TOTAL NONCURRENT LIABILITIES		1,750,834	1,709,830
TOTAL LIABILITIES		2,034,977	2,177,310
NET ASSETS			
Invested in capital assets net of related debt		2,766,377	2,702,945
Unrestricted deficit		(1,161,226)	(693,297)
TOTAL NET ASSETS	$	1,605,151	2,009,648

(See Accompanying Notes to the Financial Statements)

THE RESOURCE AUTHORITY IN SUMNER COUNTY, TENNESSEE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2008 and 2007

		2008	2007
OPERATING REVENUES			
Tipping fees and payments in lieu of tipping fees	$	3,085,819	3,522,180
Landfill revenue		-	-
Recycling revenue		125,320	77,595
Miscellaneous income		5,816	9,529
TOTAL OPERATING REVENUE		3,216,955	3,609,304
OPERATING EXPENSES			
Advertising		996	1,006
Waste and tire disposal		2,419,744	2,523,087
Depreciation and amortization		194,308	209,639
Director's fees		33,600	21,000
Equipment rental and calibration		3,077	3,690
Insurance		95,567	61,191
Landfill expense		211,846	197,018
Landfill closure and post-closure costs		104,362	133,550
Miscellaneous		24,818	28,625
Engineering		4,956	12,835
Recycling expenses		22,270	16,690
Office supplies		9,645	8,268
Professional services		10,785	14,261
Quarry expenses		-	35,577
Lubricating oil		3,535	1,417
Repairs and maintenance		62,179	81,001
Salaries		346,993	326,209
Safety equipment and training		1,699	471
Taxes and licenses		36,314	33,026
Travel		879	62
Telephone		6,023	6,485
Utilities		27,466	29,756
Employee benefits		97,410	109,664
Debris expense		-	4,496
Uniforms		4,330	4,004
TOTAL OPERATING EXPENSE		3,722,802	3,863,028
OPERATING INCOME (LOSS)		(505,847)	(253,724)
NONOPERATING REVENUES (EXPENSES)			
Interest income		27,803	7,179
Grant-operating		48,565	50,000
NET NONOPERATING REVENUES AND EXPENSES		76,368	57,179
LOSS BEFORE SPECIAL ITEMS		(429,479)	(196,545)
SPECIAL ITEM		24,982	115,452
CHANGE IN NET ASSETS		(404,497)	(81,093)
TOTAL NET ASSETS, BEGINNING OF YEAR		2,009,648	2,090,741
TOTAL NET ASSETS, END OF YEAR	$	1,605,151	2,009,648

(See Accompanying Notes to the Financial Statements)

THE RESOURCE AUTHORITY IN
SUMNER COUNTY, TENNESSEE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

		2008	2007
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Receipts from customers and users	$	3,267,446	3,715,268
Miscellaneous income		5,816	9,529
Payments to suppliers		(3,282,463)	(3,481,681)
Payments to employees		(351,545)	(329,732)
NET CASH PROVIDED BY OPERATING ACTIVITIES		(360,746)	(86,616)
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES			
Operating subsidy from grants		48,565	66,537
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		48,565	66,537
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets		(257,738)	(16,965)
Cash from sale of capital assets		24,980	136,450
NET CASH USED BY CAPITAL AND RELATED ACTIVITIES		(232,758)	119,485
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES			
Interest received		27,803	7,179
NET CASH PROVIDED BY INVESTING ACTIVITIES		27,803	7,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(517,136)	106,585
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,209,042	1,102,457
CASH AND CASH EQUIVALENTS, END OF YEAR	$	691,906	1,209,042
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$	(505,847)	(253,724)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense		194,308	209,639
Adjustment to accumulated depreciation		-	422
(Increase) decrease in accounts receivable		47,989	115,493
(Increase) decrease in inventories		32,637	-
(Increase) decrease in prepaid items		12,500	39,875
Increase (decrease) in accounts payable		(178,785)	108,861
Increase (decrease) in accrued expenses		(4,552)	(3,522)
Increase (decrease) accrued closure costs		41,004	(303,660)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	(360,746)	(86,616)

(See Accompanying Notes to the Financial Statements)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Resource Authority in Sumner County, Tennessee is a public and governmental body acting as an instrumentality and agency of Sumner County and the Cities of Gallatin and Hendersonville, organized in 1979 under Chapter No. 157 of the Tennessee Private Acts of 1979, as amended.

Up until May 2005, the Authority operated a solid waste disposal and resource recovery facility, which incinerated and disposed of solid waste primarily from the County and the Cities, produced steam for distribution to industrial customers and generated electricity for internal plant consumption. The Authority also operated a construction/demolition debris landfill and an ash monofill both of which ceased operations in fiscal 2007. The Authority began operations of a recycling facility during fiscal year 1992. In May of 2005, the Authority began operating primarily as a transfer station for the solid waste within the county.
The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

Financial Reporting Entity

The Authority complies with GASB Statement No. 14, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

Basis of Presentation

The Authority is accounted for as an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting, continued

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charged to customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2008, all the Authority's cash was deposited in an institution which is a member of the Local Government Collateral Pool. The Tennessee Bank Collateral Pool (the "pool"), a multiple financial institution collateral pool where member financial institutions holding public funds pledge collateral to a common pool. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of the pool's collateral is inadequate to cover a loss. As a result the pool is similar to depository insurance.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be 105 percent secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The Authority approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of Authority staff.

At June 30, 2008, there were no amount of deposits exposed to custodial risks.

Materials and Supplies

Spare parts and supplies are stated at the lower of cost or estimated salvage value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. The capitalization threshold for utility plant is $500. Depreciation is computed by the straight-line method based on the estimated useful lives of related asset classifications. The Authority's policy is to take a full year of depreciation in the year of acquisition. Buildings, structures and improvements are depreciated over 20 to 30 years and equipment is depreciated over 3 to 10 years.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Compensated Absences
The Authority provides for paid vacations and sick leave for its employees. Accrued vacation costs are included in accrued expenses. However, accrued sick leave has not been recognized since the Authority does not compensate employees for unused benefits at termination or retirement.

Equity Classification
Equity is classified as net assets and displayed if applicable in three components:

a. Invested in capital assets, net of related debt– Consists of capital assets net of accumulated depreciation and unamortized landfill costs and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted net assets– Consists of net assets with constraints. The Authority currently has no restricted net assets.

c. Unrestricted net assets–All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CAPITAL ASSETS

The following is a summary of capital assets:

		Balance 7/01/07	Additions	Retirements	Balance 6/30/08
Non-depreciable capital assets					
Land	$	282,491	-	-	282,491
Depreciable assets					
Disposal plant		68,480	251,956		320,436
Recycling plant		4,711,206	-	-	4,711,206
Equipment		780,584	5,782	19,700	766,666
Total depreciable assets		5,560,270	257,738	19,700	5,798,308
Less accumulated depreciation					
Disposal plant		10,272	6,573		16,845
Recycling plant		2,409,008	157,040		2,566,048
Equipment		720,534	30,695	19,700	731,529
Total accumulated depreciation		3,139,814	194,308	19,700	3,314,422
Net depreciable capital assets	$	2,420,456			2,483,886

Depreciation expense for 2008 and 2007 was $194,308 and $209,639 respectively.

NOTE C - LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Authority operated three landfills. Operation, closure and post-closure care of these landfills are highly regulated (Federal regulations 42 USC 6907 (a) (3) and 6949 (c) and USC 1345 (d) and (e), and Tennessee Rule 1200-1-76.03 (2)).

The Authority accounts for the landfills under the provisions of GASB Statement No. 18. This statement requires the current recognition of future closure and post closure costs based on landfill capacity used to date. These cost estimates require revision for future changes in the closure and post closure plan or operating conditions (including changes in technology or applicable laws or regulations); these revisions are recognized currently as such conditions occur. The following estimates were made by the Authority's independent engineer.

Estimates of future closure and postclosure care costs are summarized as follows:

Closure	$ 273,664
Postclosure	1,477,170
	$ 1,750,834

The Capps Gap Landfill is closed and is twelve years into post closure monitoring. The Oak Grove Landfill and Ash Monofill's Cells I, II, and III were officially closed in 2006. Post closure monitoring on the landfills began in 2006. All Authority landfills are closed. There is also a provision for the cost of closure of the waste to energy plant facility which ceased operations in 2005.

The Authority, along with Sumner County and the cities of Gallatin and Hendersonville has a "Contract in Lieu of Performance Bond" with the State for financial assurance of the closure and post closure costs. The Authority is potentially responsible for environmental clean-up costs associated with its landfill operations. However, management anticipates any future clean-up cost would be assessed to, and paid by, the party responsible for generating the hazardous materials. During the fiscal year the State made changes in the calculation of the bond which also resulted in changes in the estimates by the engineer for post closure costs.

NOTE D - MUNICIPAL AND COUNTY AGREEMENTS

Agreements between the Authority and the Cities of Gallatin and Hendersonville and Sumner County provide that when future (cumulative) profits are available from the operation of the Authority, payments by the Cities and the County for in lieu of tipping fees and other revenues will be returned. During fiscal year 2008, the City of Gallatin paid $468,082 ($487,376 for 2007) in tipping fees. Sumner County paid $100,000 in lieu of tipping fees for fiscal years 2008 and 2007. The City of Hendersonville has ceased taking waste to the Authority.

The agreements further provide that in the event that the Authority's revenues are insufficient to cover the cost of the project, the County and the Cities agree to pay such deficit in the proportions of 3/7, 2/7 and 2/7, respectively. No deficit assessments were made in fiscal years 2008 and 2007. Because the City of Hendersonville is no longer bringing waste to the Authority, it has not been finalized as to whether this agreement will continue.

NOTE E - PENSION PLAN

The Authority contributes a percentage of employees' salaries to a defined contribution retirement program. These funds are invested with ING Life Insurance and Annuity Company. The employee has several investment options. An employee must be full time and employed for 90 days in order to be eligible. The percentage of contribution is based on the following:

If Employee Contributes:	The Authority Contributes:
0.0% of salary	2.0% of salary
1.0% of salary	3.0% of salary
2.0% of salary	4.0% of salary
3.0% of salary	5.0% of salary

The Authority's total payroll was $346,993 for 2008 and $326,209 for 2007. Employees who are covered and participating under the pension plan were paid $299,710 for 2008 and $296,243 for 2007. The Resource Authority contributed 4.67%, ($14,007) for 2008 and 4.25% ($12,602) for 2007 of covered and participating salaries.

NOTE F - TIPPING FEES

A major portion of the Authority's revenue is from tipping fees. A significant portion of tipping fees are from commercial haulers who are required under waste control laws to dump waste collected within Sumner County at the Authority. Recent court decisions have supported the enforcement of this law. One major commercial hauler is delivering most of Sumner County commercial waste to the Resource Authority and one major hauler is not. Enforcement by management has not been aggressively sought.

NOTE G - RISK OF LOSS

The Authority is exposed to the normal business risk and the environmental risk related to the operations of a waste-to-energy plant, a recycling plant, a construction/demolition debris landfill and an ash monofill. The Authority, is a member of the Tennessee Municipal Risk Management Self Insurance Program, for worker compensation, and general liability coverage. The Authority has obtained coverage from commercial insurance carriers for casualty and property coverage. These insurance coverages minimize the loss from risks to which the Authority is exposed. There was no significant reductions in insurance coverage and settled claims resulting from these risks have not significantly exceeded insurance coverage in any of the past three fiscal years.

NOTE H - CONTINGENCY

In May of 2005 the Authority ceased waste to energy operations and began operating as a transfer station. The Authority entered into a contract with a private waste company that provides for loading, hauling and disposal of the solid waste. Also in 2007, the City of Hendersonville passed legislation expressing their desire to dissolve the Authority and ceased transporting their solid waste to the Authority. The City of Gallatin and the County have not passed similar legislation which is necessary to effect a dissolution. Issues relating to these changes in operations and the extent of participation of the cities and county still exist and could result in additional costs and or liabilities. The ultimate outcome of these uncertainties cannot be presently determined and as a result, an estimate of the costs and liabilities, if any, cannot be determined.

NOTE H – CONTINGENCY, Continued

The Authority is involved in several lawsuits primarily related to worker's compensation which should be covered by insurance and should not have a material effect on the financial statements.

NOTE I - SPECIAL ITEM

During the fiscal yeas 2007 and 2008, the Authority disposed of surplus property which came about due to the change in operations. The gain on the sale of these capital assets is reported as a special item on the Statement of Revenues, Expenses and Changes in Net Assets.

NOTE J – CONTRACTS AND COMMITMENTS

The Authority has entered into a load, haul and disposal contract that runs through August 2010 and provides for a rate per ton
plus adjustments for CPI and diesel prices.

The Authority also has a contract with a company to grind brush for $3.65 per cubic yard which runs through October 2008.

NOTE K – SUBSEQUENT EVENTS

Subsequent to year end the Authority reached an agreement to purchase the property on which the former waste to energy plant was constructed. The deed included a reversionary clause necessitating the purchase. The purchase price will be $25,000.

FINANCIAL SCHEDULES

SUMNER COUNTY, TENNESSEE

SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 2008

	Type of Coverage	Limits
1.	General liability, including automobiles	$ 300,000 per person 700,000 per occurrence
2.	Real and personal property	$ 24,088,422 (includes buildings and equipment garbage burning plant, recycling center and underground/above ground piping, $100,000 deductible per occurrence)
3.	Mobile Equipment	$ 188,000 aggregate
4.	Errors and omissions	$ 1,000,000 per occurrence with a $2,500 deductible
5.	Workers compensation	$ 1,000,000 policy limit
6.	Public Employee Dishonesty	$ 100,000; $100,000 forgery, $50,000 theft, destruction with a $1,000 deductible

THE RESOURCE AUTHORITY IN SUMNER COUNTY

Schedule of State Financial Assistance

For the Year Ended June 30, 2008

State Grants:

State Number	Program Name	Grantor Agency	Deferred (Receivable) Balance 06/30/07	Grant Receipts	Grant Expenditures	Deferred (Receivable) Balance 6/30/08
Z-03-011335-03	Waste Tire Option Grant	Tennessee Dept of Environment & Conservation	$ (61)	57,005	(48,565)	(8,379)

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES
Certified Public Accountants
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NASHVILLE, TN 37204-3109

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Resource Authority in Sumner County
Gallatin, Tennessee

We have audited the accompanying basic financial statements of the Resource Authority in Sumner County as of and for the year ended June 30, 2008, and have issued a report thereon dated October 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Resource Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Resource Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Resource Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Resource Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Resource Authority's financial statements is more than inconsequential will not be prevented or detected by the Resource Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Resource Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Resource Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Resource Authority in Sumner County
Gallatin, Tennessee

We noted certain additional matters that were reported to management in a separate letter dated October 14, 2008.

This report is intended solely for the information and use of management, the audit committee, board members, and federal awarding Agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yearry Howell & Associates

October 14, 2008

YEARY, HOWELL & ASSOCIATES
Certified Public Accountants
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NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
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October 14, 2008

Finance Committee
The Resource Authority in Sumner County
Gallatin, TN 37066

Although our audit disclosed no matters of compliance and internal control required to be reported in our report on such matters, we want to bring the following matters to management's attention for your consideration.

1) During our audit we continue to note that the amount of in lieu tipping fees paid by the county was not supported by a formal agreement. We recommend that a formal agreement be executed which details the arrangement between the Authority and the county as it relates to tipping fees for solid waste from the county and in lieu of tipping fees. We also noted that the per ton charge to the City of Gallatin is $40 per ton while the current adjusted load, haul and disposal fee from the contract is $41.10 per ton, we recommend the tipping fee rate to be adjusted to reflect current costs.

2) During our test of disbursements we noted that only one signature is required on checks. We continue to recommend for control purposes that two check signers be required to sign each check. Also, we recommend that the manager review and approve all bank reconciliations.

3) During testing of revenues, we noted the Authority is not charging tipping fees for the county or the Cities of Gallatin and Hendersonville for brush brought to the plant. The Authority is incurring increasing costs to shred and dispose of these materials. Consideration should be given to charging for these services.

If you should need further information regarding this matter please let me know.

Sincerely,

Gregory V. Howell
Yeary, Howell & Associates

GVH:lmg

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Yeary, Howell & Associates

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